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March 17, 2006

**VIA EMAIL and/or FACSIMILE
AND VIA FEDERAL EXPRESS**

Nancy M. Morris, Esq., Secretary
United States Securities and Exchange Commission
Station Place
100 F Street, NE
Washington, DC 20549-9303

Mr. Robert L.D. Colby, Acting Director
Division of Market Regulation
United States Securities and Exchange Commission
100 F Street, NE (Mail Stop 6628)
Washington, DC 20549-9303
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Ms. Heather Seidel, Senior Special Counsel
Division of Market Regulation
United States Securities and Exchange Commission
100 F Street, NE (Mail Stop 6628)
Washington, DC 20549-9303
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Re: Extension of Hybrid Market Pilot; File Nos. SR-NYSE-2004-05 and 2005-87

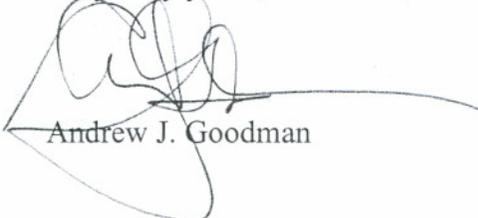
Ladies and Gentlemen:

This firm and Baker & Hostetler, LLP are co-counsel to the Independent Broker Action Committee, Inc. ("IBAC"), a not-for-profit corporation whose membership consists of independent agency brokers on the floor of the New York Stock Exchange ("NYSE"). IBAC previously submitted its views on the above Hybrid Market proposals of the NYSE. However, due to (i) the Commission's recent extension of the hybrid pilot test period through March 24, 2006 and (ii) a March 14, 2006 information memo by the NYSE suggesting that the Commission may grant full approval of the Hybrid Market upon expiration of the extension, IBAC believes it

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is critical to provide the Commission with factual information as to ongoing serious problems with the hybrid pilot. Given the apparent urgency of the matter, we are also forwarding IBAC's letter directly to senior staff members of the Division of Market Regulation.

Very truly yours,

A handwritten signature in black ink, appearing to read 'AJG', with a long horizontal line extending to the right.

Andrew J. Goodman

AJG/shb:jsl
Enclosure

cc: *With Enclosure:*

Independent Broker Action Committee, Inc.
Baker & Hostetler, LLP

Independent Broker Action Committee

Website: www.IBAC.us

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Nancy M. Morris, Esq.
Secretary
United States Securities and Exchange Commission
Station Place
100 F Street, NE
Washington, DC 20549-9303

Re: Extension of Hybrid Market Pilot; File Nos. SR-NYSE-2004-05 and 2005-87

Dear Ms. Morris:

The Independent Broker Action Committee, Inc. ("IBAC") is a not-for-profit corporation whose membership consists of independent brokers on the floor of the New York Stock Exchange ("NYSE"). IBAC's membership includes over 100 active dues-paying members, reflecting the commitment and concern of the NYSE floor brokerage community with respect to the NYSE's proposals.

In File No. SR-NYSE-2004-05,¹ the NYSE submitted proposed rules and regulations for its "Hybrid Market," intended to marry the best of the electronic and extant auction markets. By Securities Act Release No. 34-52954, the Commission permitted the NYSE to operate a pilot hybrid market test in a limited number of listed securities through the earlier of the Commission approval of SR-NYSE-2004-05 (as amended) or March 15, 2006. On March 14, 2006, by Information Memo ("IM") 06-9, the NYSE advised all its members and member organizations that the Commission has approved an extension of the hybrid pilot through March 24, 2006. Although not explicit, IM 06-9 appears to imply that the NYSE believes that the Commission will approve the Hybrid Market on or before March 24, 2006.

We are writing immediately to express in the strongest possible terms our objection to approving a hybrid market at this time. The hybrid pilot, even in its current application to a limited number of listed securities, has demonstrated that the NYSE's technology is still extraordinarily problematic. Moreover, at this time neither the technology in the hands of floor brokers, and

¹ The file is supplemented by open amendments No. 1 (submitted July 30, 2004), No. 2 (November 8, 2004), No. 3 (November 9, 2004), No. 5 (June 17, 2005), No. 6 (September 16, 2005) and No. 7 (October 10, 2005). Amendment No. 4 was withdrawn.

indeed even the technology to be given to the specialists, is ready for an effective hybrid market. Since our membership is actively engaged each and every day in the crowds throughout the Exchange floor, we believe it crucial that we bring to your urgent attention the continuing technological problems regularly encountered by our membership, and, indeed, by the listed issuers themselves in certain instances.

For example, on March 8, 2006, there was a “freeze” at the specialist post in Wells Fargo stock (WFC, Post 9-J). WFC, in the hybrid pilot, was shut down from approximately 1:43 p.m. to 2:11 p.m., so that WFC could not trade for about 28 minutes. The posted message was that trading was halted due to an equipment problem. On March 14, 2006, WFC trading again “froze” at the specialist post, this time for approximately 2½ minutes from 11:04 to 11:06 a.m.

On March 10, 2006, another pilot stock, HXL, encountered significant problems with a 20,000,000 share secondary public offering handled by First Boston and Goldman Sachs. Apparently, the Goldman Sachs proprietary floor trading system does not currently interact with the NYSE’s e-quote capabilities. The NYSE therefore removed HXL from the pilot, moving the stock from Post 9-J to 9-F. What would have happened to this major offering if the hybrid had already been fully implemented?

These are just three recent instances of serious technical issues. IBAC is confident that a full and systematic Commission assessment of the operation of the hybrid pilot to date would indicate a plethora of ongoing problems. One incident comes readily to mind because of its symbolic significance: the very first trade in the hybrid pilot (VMI at Post 10-V) failed electronically and had to be executed the old fashioned way – by a human being.

Additionally, by letter dated December 7, 2005, IBAC commented on related serious problems evident from the NYSE hybrid proposal. Among the issues there referenced is the unfulfilled NYSE promise to provide technology and discretionary order types to allow the crowd to price improve in systematic interaction with order flow. We pointed out that the specialists are provided in the hybrid with algorithmic systematic interface and the enhanced ability to trade at parity with the crowd. Thus the absence of the promised technology in the hands of the crowd puts public investors at a distinct disadvantage. This is reiterated in IBAC’s February 2, 2006 letter commenting on File Nos. SR-NYSE-2004-05 and 2005-77 (regarding the NYSE/Archipelago merger). Nevertheless, those tools have not been provided to date, and we are unaware of any projected date by which the Exchange believes that this will be done.

Moreover, the handheld technology presently available is woefully inadequate to the task. Technological problems on November 30, 2005 rendered the handheld units useless most of that day. IBAC is also aware of similar problems anecdotally on a continuing basis.

Even the specialists’ algorithms have not yet been tested, as they were not included in the hybrid pilot.

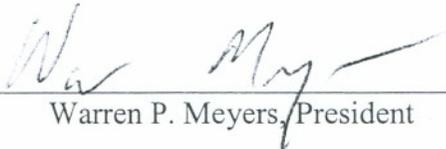
Under the totality of these circumstances, we believe that present approval of the hybrid market is a securities market disaster waiting to happen. Even putting aside issues of unfairness to the trading public (which IBAC is not prepared to do in regard to the ultimate shape of the hybrid

market), we ask the Commission staff to envision the scenario in this country's securities markets if the technology fails in a fully implemented NYSE hybrid market environment. Much of the technology (specialists' algorithms, certain order types, broker technology) has not yet even been offered, let alone tested. That which has been tested has repeatedly failed. IBAC urgently submits that these problems must be fully and effectively resolved before approval of the hybrid proposal is considered, to avoid running the risk of chaos in our securities' markets.

We remain most anxious to discuss these issues in person with appropriate Commission staff members.

Respectfully submitted,

INDEPENDENT BROKER ACTION COMMITTEE, INC.

By: 
Warren P. Meyers, President

cc: Mr. Robert L.D. Colby, Acting Director
Ms. Heather Seidel, Senior Special Counsel
Division of Market Regulation
United States Securities and Exchange Commission